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Director and Chief Medical Officer

FRED LEAF
Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
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October 21, 2004

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT NO. 1 TO MEDICAL WASTE DISPOSAL SERVICES
AGREEMENT NO. H-207555 WITH STERICYCLE, INC.**
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Director of Health Services, or his designee, to offer and sign Amendment No. 1 to Agreement No. H-207555, substantially similar to Exhibit I, with Stericycle, Inc., increasing the rates for medical waste disposal from \$.21 to \$.22 and \$.59 to \$.65 per pound for autoclave and incinerate waste respectively, and increasing the pick-up rate from \$50.50 to \$54.25, whichever is greater, and adding a charge of \$450 per occurrence per facility, for incorrectly packaged waste, effective on the date of Board approval through June 30, 2007, at a maximum cost of \$618,000 for the period of Board approval through June 30, 2005, and a maximum annual cost of \$670,292 thereafter. The total maximum contract obligation will thus increase from \$2,564,445 to \$2,984,366.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

In approving the recommended action, the Board is authorizing the Director of Health Services, or his designee, to execute an amendment with Stericycle, Inc. (Stericycle) to increase the rates the County pays for collection, transportation, and disposal of medical waste. The increased rates are needed to offset the Contractor's increased fuel costs and costs due to changes in landfill and transportation requirements. Amendment No. 1 will also add an "incorrectly packaged waste" charge to allow Stericycle to recover costs when medical waste is incorrectly packaged by a facility, and will also add the most recent Board required contract provisions.

FISCAL IMPACT/FINANCING:

The maximum net County cost for Fiscal Year (FY) 2004-05 is \$618,000. Of that amount, the estimated cost for the Sheriff's Department and Department of Coroner are \$33,500 and \$40,000, respectively. Funding for these services is included in the FY 2004-05 Board Adopted Budgets for DHS, Sheriff's Department, and Department of Coroner, and will be requested in future fiscal years. The maximum annual obligation shall be \$670,292 thereafter.

Payment under the amendment will be made on a fee-for-service basis, at increased rates either per pound or per collection (pickup) rates, whichever is greater, to offset the Contractor's increased fuel, disposal and transportation costs.

FACTS AND PROVISIONAL/LEGAL REQUIREMENTS:

For a number of years, the Department has contracted for the collection, transportation and disposal of medical waste from various DHS, Sheriff, and Coroner facilities.

On December 17, 2001, the Department released an Invitation for Bids (IFB) for the continuation of medical waste disposal services. Stericycle was the only bidder in attendance at the mandatory bidders' conference. The IFB was cancelled at that point and sole source negotiations were initiated with Stericycle. On June 18, 2002, the Board approved an Agreement with Stericycle effective July 1, 2002 through June 30, 2007.

The current Agreement allows rates to be adjusted for inflation at the end of each contract year for the following year by a figure either equal to the average salary percentage movement granted to County employees, or the average Consumer Price Index percentage figure for All Urban Consumers, whichever is less. During FY 2003-04, Stericycle received a three percent cost-of-living rate adjustment, the maximum allowed by the agreement. However, Stericycle is requesting an additional rate adjustment to compensate for its increased cost based on documented increased costs. The Agreement states that in the event there are: 1) amendments to Federal, State or local laws, rules, regulations, ordinances and/or directives regarding medical waste disposal, and/or 2) documented increases in fuel, energy and/or disposal costs that result in increased costs to Contractor to provide services under the agreement, the Contractor may request an adjustment to the rates to compensate for such increases in costs. During the past two years, Stericycle has experienced significant increases in landfill and transportation costs. Requirements for final disposal of autoclave medical waste have increased, and the distance traveled to transport incinerated waste has doubled due to the closure of an incinerator in Chandler, Arizona, requiring waste to be transported to Salt Lake City, Utah. The amendment will remove the provision allowing for increases in rates based on increased fuel and transportation costs.

The current Agreement states that the County shall be responsible for complying with the packaging requirements for various types of medical waste as specified in the Medical Waste Management Act and as required by Federal, State, and local laws, rules, regulations, ordinances, and directives. The amendment will add an "incorrectly packaged waste" charge of \$450 per occurrence per facility, to be imposed on County facilities in the event that County facility staff incorrectly package medical waste, (i.e., incinerate waste packaged into autoclave waste). The charge will account for the time Stericycle must shut down its autoclaving process, segregate the medical waste, develop a manifest to comply with regulations, and notify the County of the occurrence. There will be no charge for the first occurrence of incorrectly packaged medical waste per facility and Stericycle will review packaging procedures with County facility staff to ensure future compliance with regulations governing the packaging of medical waste.

Under the termination provisions of the Agreement, the Agreement may be terminated for convenience by either party with a 180-calendar day advance written notice to the other party, and for cause by the County with a 10-calendar day advance written notice to the Contractor.

Exhibit I has been approved as to form by County Counsel.

Attachment A provides additional information.

CONTRACTING PROCESS:

Advertisement of amendments on the L.A. County Online web site is not appropriate.

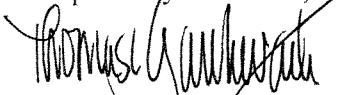
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IMPACT ON CURRENT SERVICES (OR PROJECTS):

Board approval of the recommended action will ensure that essential medical waste disposal services continue uninterrupted through June 30, 2007.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:es

Attachments (2)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

BLCD3075.es

SUMMARY OF AMENDMENT1. TYPE OF SERVICE:

Medical waste disposal services for various County facilities.

2. AGENCY ADDRESS, CONTACT PERSON, AND TELEPHONE NUMBER:

Stericycle, Inc.
2775 East 26th Street
Vernon, California 90023
Attention: Marketplace Sales Manager, Southern California
Telephone: (800) 953-9324

3. TERM:

Amendment No. 1 with Stericycle, Inc. will become effective on the date of Board approval through June 30, 2007.

4. FINANCIAL INFORMATION:

The maximum net County cost for Fiscal Year 2004-2005 is \$618,000. Funding for these services is included in the FY 2004-05 Adopted Budgets for DHS, Sheriff's Department, and Department of Coroner. The fee-for-service rates shall be amended as follows:

Existing Rates:

\$0.21 per pound or \$50.50 per collection, whichever is greater, for autoclaved waste.
\$0.59 per pound or \$50.50 per collection, whichever is greater, for incineration waste.
\$140 per call and \$0.39 per pound for autoclaved waste, \$0.69 per pound for incineration waste, for emergency collections.
\$450 for incorrectly packaged waste.

Adjusted Rates

\$0.22 per pound or \$54.25 per collection, whichever is greater, for autoclave waste.
\$0.65 per pound or \$54.25 per collection, whichever is greater, for incinerated waste.
No change in rates for emergency collections.

5. GEOGRAPHIC AREAS TO BE SERVED:

Countywide.

6. ACCOUNTABILITY FOR MONITORING:

DHS, Sheriff, and Coroner Facility Administration.

7. APPROVALS:

Chief Operating Officer:	Fred Leaf
Contracts and Grants Division:	Irene E. Riley, Director
County Counsel (approval as to form):	Christina Salseda, Deputy County Counsel